

VZCZCXRO9701
PP RUEHFK RUEHKSO RUEHNAG RUEHNH
DE RUEHKO #0189/01 0240805
ZNR UUUUU ZZH
P 240805Z JAN 08
FM AMEMBASSY TOKYO
TO RUEHC/SECSTATE WASHDC PRIORITY 1209
INFO RUEKJCS/SECDEF WASHDC PRIORITY
RHEHAAA/THE WHITE HOUSE WASHINGTON DC PRIORITY
RUEAWJA/USDOJ WASHDC PRIORITY
RULSDMK/USDOT WASHDC PRIORITY
RUCPDOG/USDOC WASHDC PRIORITY
RUEAIIA/CIA WASHDC PRIORITY
RUEKJCS/JOINT STAFF WASHDC//J5//
RHHMUNA/HQ USPACOM HONOLULU HI
RHHMHBA/COMPACFLT PEARL HARBOR HI
RHMFIUU/HQ PACAF HICKAM AFB HI//CC/PA//
RHMFIUU/USFJ //J5/JO21//
RUYNAAAC/COMNAVFORJAPAN YOKOSUKA JA
RUAYJAA/CTF 72
RUEHNH/AMCONSUL NAHA 8066
RUEHFK/AMCONSUL FUKUOKA 5672
RUEHOK/AMCONSUL OSAKA KOBE 9337
RUEHNAG/AMCONSUL NAGOYA 4325
RUEHKSO/AMCONSUL SAPPORO 6278
RUEHBJ/AMEMBASSY BEIJING 1277
RUEHUL/AMEMBASSY SEOUL 7344
RUCNDT/USMISSION USUN NEW YORK 7988

UNCLAS SECTION 01 OF 13 TOKYO 000189

SIPDIS

SIPDIS

DEPT FOR E, P, EB, EAP/J, EAP/P, EAP/PD, PA;
WHITE HOUSE/NSC/NEC; JUSTICE FOR STU CHEMTOB IN ANTI-TRUST DIVISION;
TREASURY/OASIA/IMI/JAPAN; DEPT PASS USTR/PUBLIC AFFAIRS OFFICE;
SECDEF FOR JCS-J-5/JAPAN,
DASD/ISA/EAPR/JAPAN; DEPT PASS ELECTRONICALLY TO USDA
FAS/ITP FOR SCHROETER; PACOM HONOLULU FOR PUBLIC DIPLOMACY ADVISOR;
CINCPAC FLT/PA/ COMNAVFORJAPAN/PA.

E.O. 12958: N/A

TAGS: [OIIP](#) [KMDR](#) [KPAO](#) [PGOV](#) [PINR](#) [ECON](#) [ELAB](#) [JA](#)

SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 01/24/08

INDEX:

- (1) Interview with Vice Environment Minister for Global Environmental Affairs Toshiro Kojima: Environment diplomacy to get underway at Davos Forum; Japan intends to lead world, by winning trust (Tokyo Shimbun)
- (2) Business world and LDP calling for depriving FTC of judge's role (Asahi)
- (3) Iwakuni mayoral election (Part 1): Prelude to election heating up with public opinion divided over plan for transfer of U.S. carrier-based aircraft to Iwakuni (Tokyo Shimbun)
- (4) Iwakuni mayoral election (Part 2-conclusion): Residents weary of a row over transfer of carrier-based aircraft to Iwakuni; shopping area deserted (Tokyo Shimbun)
- (5) Consumer administration: Government plans to set up and launch in fiscal 2009 new organization to serve as control tower; Authority to give orders to correct business practices also to be given (Mainichi)
- (6) Hard times for "Japanese flag" oilfields; Resource nationalism rising in oil-producing countries that are clinging to interests (Asahi)
- (7) Editorial: We oppose both government and DPJ plans on gasoline tax rate (Asahi)

(8) Editorial: Is wasting public funds the DPJ's plan? (Mainichi)

ARTICLES:

(1) Interview with Vice Environment Minister for Global Environmental Affairs Toshiro Kojima: Environment diplomacy to get underway at Davos Forum; Japan intends to lead world, by winning trust

TOKYO SHIMBUN (Page 2) (Excerpts)
January 24, 2008

The World Economic Forum (Davos Forum) started in Switzerland on Jan. 23. Prime Minister Yasuo Fukuda will stage environment diplomacy, by sending Japan's initiative for the prevention of global warming to the world. Prior to the meeting, Tokyo Shimbun interviewed Vice Environment Minister for Global Environmental Affairs Toshiro Kojima, who will accompany the prime minister on his participation in the meeting, about prospects for Japan's environment diplomacy.

-- What role will Prime Minister Fukuda play at the Davos Forum?

"Key members of political and economic circles in the world, including highest-level corporate managers in the world and UN Secretary General Ban Ki-Moon, will take part in the meeting. A

SIPDIS

special seat will be prepared for Prime Minister Fukuda as the chairman of the G-8 summit. The prime minister will reveal major agenda items at the G-8, including climate change.

-- A series of international conferences to discuss global warming issues, such as the G-20 Climate Change Dialogue in March in Chiba,

TOKYO 00000189 002 OF 013

the G-8 Environmental Ministers' meeting in May in Kobe City and the G-8 summit, will take place in Japan this year.

"A final report on such issues as technology and funds needed for measures to prevent global warming will be adopted at the G-20, based on the action program adopted at the Gleneagles Summit in Britain. Climate change, biodiversity and recycling will top the agenda at a G-8 environment ministerial meeting. What have been discussed will be reflected in a paper on the results of the Lake Toya Summit and an accompanying document.

-- An agreement was reached in December last year in Bali, Indonesia on the Bali roadmap for adopting a post-Kyoto framework by 2009. Do you think things adopted at the G-8 Summit will affect this roadmap?

"For instance, the U.S. has joined the framework of the roadmap this time. President Bush made a statement at the Heiligendamm Summit in Germany last year, noting that the U.S. would respect the UN-led process. The U.S. participation this time is based on that statement. Meetings on the roadmap will be held intermittently. Top leaders' statements and decisions will be reflected in those meetings."

-- Climate change will be discussed at the G-8. What will be the key issues?

"To begin with, the target of halving greenhouse gas emissions in the world, the issue that has been carried over from the Heiligendamm Summit, has to be discussed. Regarding a post-Kyoto framework, the duration of a commitment period, carbon dioxide emissions cuts by industrialized countries and developing countries, such as China and India, which are emitting a great deal of greenhouse gases, measures to adapt to the effects of global warming and transfers of technology and funds will be talked about as basic issues.

-- Japan along with the U.S. opposed the inclusion of numerical emissions reduction goals at the Bali conference. Its action invoked international criticism. Do you think Japan can display leadership?

"The Japanese government's Cool Earth 50 calls for a 50 PERCENT cut in greenhouse gas emissions and participation of all major emitters in the framework. According to post-Kyoto Protocol discussions, provided that the next commitment period is set for 10 years from 2013 through 2022, emissions must peak during that period, and then take a downward turn. To achieve that goal, it is essential for the U.S., China and the EU, major carbon dioxide emitters, to take part in the framework. Whether Japan can come up with a proposal acceptable to those countries holds the key. It is said that the U.S. makes rules on the strength of power, the EU does so with resourcefulness, and China does so with numbers. In order for Japan to act as a leader, it is necessary for it to first win the confidence of the international community. To that end, it is imperative for it to achieve its goal of cutting greenhouse gas emissions 6 PERCENT, compared with the 1990 level and show a proactive stance toward global efforts to cut such gases beyond 2013.

(2) Business world and LDP calling for depriving FTC of judge's role

TOKYO 00000189 003 OF 013

ASAHI (Page 9) (Full)
January 22, 2008

The Fair Trade Commission (FTC), the watchdog of the market, is now facing a crisis. The FTC, which has exposed a number of bid-rigging cases under Chairman Kazuhiko Takeshima, is about to lose the function of being able to make judgments. The FTC is poised to raise its opposition, but an increasing number of business leaders are becoming more vocal in criticizing the current system in which the FTC plays the dual role of prosecutor and judge.

The first trial this year started on the morning of January 17 at the Fair Trade Commission in Kasumigaseki, Tokyo. In a bid-rigging case in a bridge-building project commissioned by a government agency, 22 companies had been ordered to cease activities in violation of the Antimonopoly Law. Dissatisfied with the ruling, the companies filed a complaint with the FTC.

Doubts voiced about fairness

With three judges sitting at the center of the room, the lawyers of the companies and FTC officers serving as "prosecutors" were sitting face-to-face on both sides of the judges' table. The room was just like a courtroom, but the judges and the investigators were all FTC officials. There are seven judges - two temporarily dispatched judges, two lawyers, and three FTC members.

Under the so-called "umpire system," the FTC judges appeals filed by companies against its punishment. A senior member of Nippon Keidanren (Japan Business Federation) complained: "I doubt if fair proceedings have been taken."

The FTC compiled a bill amending the Antimonopoly Law last December, but the Liberal Democratic Party's Special Committee on Antimonopoly Laws instructed it to rewrite the bill, stressing that it is desirable from a commonsense standpoint that the duties of screening and judging cases should be performed by separate bodies. The LDP study group plans to reach a conclusion by the end of February and submit the necessary legislation to amend the Antimonopoly Law to the current Diet session.

The FTC is now on the defensive, but in 2005, when the law was amended, it was given a powerful "weapon," that is, a rise in administrative surcharges and a leniency system in which immunity from criminal prosecution or a reduction in surcharge payments is applied to companies that voluntarily report their illegal activities to authorities.

Under the current system, an administrative surcharge as administrative punishment and a fine as criminal punishment are imposed on an offender. But Keidanren requested that the system

should be changed into a system to collect only administrative surcharges. Despite the request, the LDP panel, reflecting on a series of bid-rigging cases, toughened the penalties. The council on basic problems related to the Antimonopoly Law, a private advisory council to the chief cabinet secretary, also approved last June the imposition of both a surcharge and a fine. Even while referring to the possibility of changing the umpire system into the former prior screening system in the future, the council regarded it proper to keep the double-charge system for the time being.

TOKYO 00000189 004 OF 013

Last summer, the tide began to turn in Keidanren's direction. In the wake of the LDP's devastating defeat in the House of Councillors election in July, momentum began to gather for reviewing the pro-competition policy. An argument for abolishing the umpire system is also gaining influence in the LDP research panel.

Seeing such a trend, an expert voiced concern that "if the umpire system is abolished, the FTC's ability to expose offenses might be undermined as a result of the FTC becoming cautious in making a judgment." Further, the FTC emphasized the advantageous point of being able to make a flexible response as an administrative organ.

Take the case of merger between Yawata Steel Corporation and Fuji Iron & Steel Co. in 1970. The FTC initially instructed the two companies to scrap their merger plan, reasoning that they will result in gaining an excessively large market share. But the two companies proposed lowering their share by selling business units. The FTC finally approved the merger of the two companies into Nippon Steel Corporation.

FTC scale-down unavoidable

However, since the Yawata-Fuji merger case, no case has been brought into the FTC for a judgment. Because of this, the watchdog finds it difficult to make a counterargument. It may be unavoidable for the FTC to see its authority shrink even if it succeeds in avoiding the role of judge from being taken away from it.

Growing calls for scraping the umpire system is to prove that "a strong FTC" has begun to be deeply rooted in Japan. The FTC is further aiming to reinforce its investigatory powers, including authority to search houses and seize data, in a bid to make its powers as strong as those in Western countries.

The European Union (EU) unearths international cartel cases and levy huge fines on offenders, as part of efforts to enhance its deterrence capability. In Europe and the U.S., a person who feels dissatisfied with a ruling is allowed to file a complaint with a court. Keidanren managing director Kubota emphasized: "If the FTC insists that its authority should be strengthened in accordance with international standards, it also should take procedures in accordance with international standards."

Will the FTC be able to grow into a watchdog respected in the international community? The FTC is now at a crossroads.

(3) Iwakuni mayoral election (Part 1): Prelude to election heating up with public opinion divided over plan for transfer of U.S. carrier-based aircraft to Iwakuni

TOKYO SHIMBUN (Page 26) (Abridged)
January 21, 2008

Makoto Hashimoto

A preliminary skirmish is intensifying over the question of whether to allow the transfer of U.S. carrier-based aircraft to the Iwakuni Marine Corps Air Station (in Iwakuni City, Yamaguchi Prefecture). A one-on-one battle is expected to occur between former Mayor Katsusuke Ihara (57), who is backed by opponents to the transfer plan, and House of Representatives member Yoshihiko Fukuda (37) from the ruling Liberal Democratic Party (LDP), who is supported by those

TOKYO 00000189 005 OF 013

in favor of the transfer plan. The election will be announced on Feb. 3 with voting set for Feb. 10. Which side the public will choose in the third round of a repeat mayoral election? This reporter visited Iwakuni City, which is known as a military base town.

Opponents/former mayor's camp in high spirits; aim to win third victory

"It's unreasonable not to listen to the voices of the Iwakuni people. It's also unreasonable to threaten the city government with a subsidy cut on the grounds that the city does not behave as it is told." Ihara made this remark at a rally for his campaign held at the Iwakuni Citizen Hall on Jan. 19. Ihara, who wore a yellow scarf - yellow being his campaign color -- continued his criticism of the central government for its carrot-and-stick approach.

In March 2006, the city held a referendum. The result was that 90 PERCENT of the residents were opposed to the transfer plan. In the mayoral election held one month later after the referendum, Ihara defeated a candidate favoring the transfer plan by a big margin. This time, Ihara will run in his third mayoral campaign. He asserts: "I don't intend to call for removing the base, but I think the central government should not force the local municipality to accept the central government's policy, and instead, based on the wishes of locals, it should negotiate with the United States." Most of some 1,700 participants in the rally were elderly persons wearing windbreakers.

Former Mayor Saburo Yamashita of Hatsukaichi City, Hiroshima Prefecture, who was portrayed as an atomic-bomb survivor mayor, joined the rally to encourage Ihara. Present also was political commentator Minoru Morita, who declared he would give full backing to Ihara, describing Iwakuni City as a "rising star in terms of protecting democracy." Ihara shouted himself hoarse: "When I faced the fourth rejection by the city assembly of a budget bill, I thought I would have to go on a pilgrim's walking tour across the country for ascetic self-discipline. But placing my faith in the residents of Iwakuni and people across the country, I will win this election."

Meanwhile, on the evening of that day, the Fukuda camp held a gathering of supporters at a hotel in the city.

The gathering was held in the form of a buffet-style party. It was joined by some 700 politicians and business persons dressed in suits. Shunichi Harada, manager of the "Iwakuni no Akarui Mirai o Tsukuru Kai," a civic group to create a bright future for Iwakuni

SIPDIS

City, said in high spirits: "It's lucky that (Mr. Ihara) decided to step down. We will accept his challenge." Iwakuni Chamber of Commerce and Industry President Hisahi Nagano declared: "The consensus of business leaders in the city is to see House of Representatives member Fukuda head this city's government."

Fukuda said: "The central government is indeed to be blamed for lots of things. I'd like to represent the voices of the Iwakuni people and speak to the central government on their behalf. I'll dispel the public's misgivings by discussing such specific matters as expanding the noise control area and shortening flight hours." Fukuda indicated his intention to "wage a struggle that would only be ended when certain conditions were fulfilled." Fukuda continued, "I'll without fail measure up to your expectations." In response, someone

TOKYO 00000189 006 OF 013

there encouraged him by saying, "You must win the election."

Ahead of the start of a short campaign battle, Fukuda, less known in the city than Ihara, plans to visit mountainous and island areas to make his name known to the residents there.

The Fukuda camp stresses the significance of the debts amounting to 100 billion yen or more held by the city government. Fukuda's

campaign strategy is to stress that the city finances will collapse or that taxes will be hiked. Fukuda also attaches importance to public services, asserting that child-care fees, school lunch fees, and medical expenses for school children should be free or be lowered and that elementary and junior high school buildings should be reinforced to resist earthquakes in five years. Fukuda's supporters pin their hopes on him with one saying, "Even though we raise objections, the transfer plan will be implemented." Another argued, "Subsidies should be used for measures that will be beneficial to the public."

Ihara argues against Fukuda: "I reduced the city government's debts, but the debts swelled owing to the merger of towns and villages in the neighborhood (in 2006). Given that the city has the industrial district and the express highway, it is incorrect to say that Iwakuni will collapse like Yubari City, Hokkaido. There will be no tax hikes. I have a lot of things to do, for instance, cutting salaries of the mayor and civil servants and reducing the number of the city assembly members."

A city assembly member backing Ihara explained: "Iwakuni as well as other municipalities are in financial difficulties. Because of the lack of justice, the other side focuses on financial matters."

(4) Iwakuni mayoral election (Part 2-conclusion): Residents weary of a row over transfer of carrier-based aircraft to Iwakuni; shopping area deserted

TOKYO SHIMBUN (Page 27) (Abridged)
January 21, 2008

Makoto Hashimoto

What are views of the residents (about the plan to transfer carrier-based aircraft to Iwakuni) ahead of the mayoral election?

1,194 base-related complaints filed last year

There were 220 complaints filed to the city government against noise and flights in 2004, but the figure increased to 1,194 in 2007.

Residents living in the vicinity of the U.S. Marine Corps Air Station Iwakuni even now suffer from the roar of jet fighters. One 74-year-old man complained: "I feel like I live under a railroad overpass. The roar of aircraft sometimes continues until late at night; as a result, some people suffer from headaches or become neurotic."

Carrier-based aircraft assigned to the U.S. Naval Air Facility Atsugi (sitting in the cities of Yamato and Ayase, Kanagawa Prefecture) are well known for their touch-and-go landing practices. "In the past, there was one week of touch-and-go training. That was terrible. If 59 more planes come here to do such training...", the man added. He will bring the first lawsuit this spring in Iwakuni

TOKYO 00000189 007 OF 013

City, where there has been no such case lodged against the base in the past asking for suspension of flights.

Residents are enraged at (the central government) with one arguing, "Their approach is mean. Instead of telling us, 'This is the only place across the country to be chosen as a location for the transfer,' they simply asked us, 'Yes or no?' This is outrageous."

Meanwhile, the bar district, which at one point flourished at the outbreak of the Vietnam War, is now totally deserted. A taxi driver in his sixties claimed: "Public works projects have dwindled. The bars are not doing well. Our business has reached a dead end. I hate seeing even the face (of Mr. Ihara)."

The atmosphere at the shopping area located in front of JR Iwakuni Station is likewise dead. A self-employed man (49) said, "It may be the right thing to oppose the transfer plan, but doing so is not a pragmatic choice." A 61-year-old woman, who voted for Ihara in the previous mayoral election, expects change by saying, "I don't know what kind of trouble exists behind the scenes, but this time, I am

weary of him."

The Iwakuni base divides the city into two and prevents it from rebuilding itself because of height restrictions. The city has a population of some 150,000 persons, but if there is no base presence, Iwakuni would have developed into a city of a half million. Should the city call on the central government to compensate for that? Or should the city reject the transfer plan on the condition that because of the base, companies tend to move out from here to somewhere else. These are not easy questions to answer.

How about Mt. Atago, which was sliced up as part a project to relocate the base one kilometer offshore. This relocation came about as a measure to reduce base noise, but the idea is said to have motivated the central government to consider Iwakuni as a candidate site for relocation (of carrier-based jets). Mt. Atago's grove with its village shrine was destroyed in order to construct a housing area, and there is a strong possibility that houses for the U.S. military will also be constructed there.

Masami Fukuda, a 46-year-old housewife living near the Mt. Atago development area, is opposed to the transfer plan. She argued: "I am concerned about public security. Because of extra-territorial rights, U.S. soldiers can go outside the fence, but we can't enter inside the fence. I hear there are cases of hit-and-run accidents caused by U.S. soldiers or cases where U.S. soldiers intruded into private citizens' premises. Once the base functions are reinforced, there will be no moving out of it for at least for another century. I will cast a ballot, taking fully into account the future of my children."

When this reporter asked passengers in front of Iwakuni Station whom they might vote for, most answered promptly: "Mr. Ihara" or "Mr. Fukuda." There seem to be a few who have not decided for whom they will vote, even though no panel discussion has been held so far for the two candidates-to-be to exchange views. This may be the result of the city being divided.

Defense Minister Shigeru Ishiba made this comment: "Of course, I am interested in (the mayoral election) to see what is the public's will, but there will be no change in our attitude of advancing the

TOKYO 00000189 008 OF 013

transfer plan as part of the realignment of the U.S. forces in Japan."

Both camps have shown no sign that they will lay down their arms, even though the public's will is shown anew in the election. In fact, one member of the Fukuda camp argued, "Mr. Ihara caused the public to be divided by holding a referendum and hatred emerged eventually among the public." A resident opposing the transfer plan offered a counterargument: "City assembly members who had been opposed to the transfer plan changed their mind at a time when the subject of subsidies (from the central government) cropped up. That is attributable to the central government and the United States."

(5) Consumer administration: Government plans to set up and launch in fiscal 2009 new organization to serve as control tower; Authority to give orders to correct business practices also to be given

MAINICHI (Page 1) (Full)
January 19, 2008

Prime Minister Yasuo Fukuda in a policy speech revealed a plan to revise consumer administration. The outline of a new organization that will facilitate the new proposal in a unified manner was revealed on Jan. 18. The envisaged organization will be given the role of a control tower that will lead concerned government agencies. It will be empowered to issue a recommendation to government agencies to rectify the situation, according to need. A proposal for establishing a new organization by transferring relevant government agencies' consumer administration under its wing as it is will be put on hold. The government will work out a specific plan over six months, while determining discussions pursued within the Liberal Democratic Party (LDP).

Consumer administration involves 10 government agencies, including the Cabinet Office, the Ministry of Health, Labor and Welfare and the Ministry of Agriculture, Forestry and Fisheries. Since they have different laws under their jurisdiction, the adverse effects of bureaucratic sectionalism have been pointed out.

The LDP Consumer Problems Research Group (chaired by Seiko Noda) is negative toward the idea of setting up a consumer agency, which government agencies are fiercely opposing, as their vested interests will be deprived. It also goes against the administrative reform drive. The panel will map out a set of proposals before the end of February, but it is unlikely that it will adopt the consumer agency plan.

In contrast, a plan to make the Cabinet Office Quality-of-Life Policy Bureau, which is responsible for planning and formulating consumer-related basic policies, an independent entity. The aim is to improve consumer administration by turning it into an administrative committee like the Fair Trade Commission. The prime minister on the evening of Jan. 18 told reporters at the Kantei, "(The new organization) must be given a position where it can say things to concerned government agencies, if problems arise."

(6) Hard times for "Japanese flag" oilfields; Resource nationalism rising in oil-producing countries that are clinging to interests

ASAHI (Page 10) (Excerpts)
January 24, 2008

TOKYO 00000189 009 OF 013

Japanese corporations' rights to develop in overseas oilfields are undergoing a series of trials. The reason is because resource nationalism is rising, as evidenced by Russia's and Kazakhstan's requests for the transfer of rights against a backdrop of surging crude oil prices. Although the government is trying to find a way out by means of resource diplomacy, a dark cloud is hanging over the government's goal of doubling Japanese-flag drilling rights, amid intensifying competition with up-and-coming nations, such as China and India.

The Kashagan oilfield in the Caspian Sea is said to be one of the largest oilfields in the world. The Kazakh government announced on Jan. 14 that it would allow a state-owned enterprise to purchase part of the rights owned by foreign capital. The share of concession rights held by Inpex and other Japanese corporations has declined from 8.33 PERCENT to 7.56 PERCENT .

Kazakhstan suspended the construction last August ostensibly for environmental reasons. What actually lies behind it is discontent with a loss from a delay in the development construction as well as with greater contributions to the development cost. The Ministry of Economy, Trade and Industry (METI) welcomes the resumption of the construction, although it has come at the cost of reduced interests on the part of Japan.

Russia also applied pressure on the development of Sakhalin 2, now underway by the Royal Dutch/Shell Group, Mitsui & Co., and Mitsubishi Corp., citing environmental destruction. The three companies in April 2007 handed over more than 50 PERCENT of the management right to a state-run energy corporation.

Ken Koyama, director of the Institute of Energy Economics, Japan, said:

"Oil-producing countries are increasingly discontent with the development contracts that were concluded when crude oil prices were still low. The practice of collecting financial resources by linking them to environmental issues might turn into a model."

Japanese firms' rights to develop Iran's Azadegan oil field have also markedly diminished due to the country's suspected nuclear development. The Khafji oilfield off the dividing zone between Saudi Arabia and Kuwait is the first oilfield Japan developed independently. Arabian Oil Co., which had been engaged in production

there, completely withdrew on Jan. 4.

Government focused on resource diplomacy

The government in 2006 set a goal of increasing the share of independently developed oil to imported crude oil from the current 19 PERCENT to 40 PERCENT by 2030. The step came from the prospects that the unstable situation in the Middle East and growing demand in China and India would make it difficult to secure crude oil.

Japan aims to win drilling rights in such countries as Venezuela, Libya, and Angola where iron fists are often used. Winning rights in such countries comes with the danger of losing those rights or having them reduced due to resource nationalism there.

METI Minister Akira Amari has played up his determination to actively pursue resource diplomacy, saying that oil-producing countries' attempts to fence around and nationalize oilfields are

TOKYO 00000189 010 OF 013

current trends.

As part of the government's resource diplomacy, then Prime Minister Shinzo Abe and METI Minister Amari visited in succession a number of Middle Eastern countries last April through May. Amari, who visited Abu Dhabi earlier this month, promised cooperation in a wide range of fields, such as industry, medical care, and education. Looking back on the trip, Amari said: "I was able to extract positive statements for the first time about renewing oilfield interests held by Japanese companies."

Developing oilfields itself has become difficult.

Exploring deep seabed oil is technically difficult and may cost as much as 100 billion yen. The equipment and labor costs necessary for oil exploration have doubled over the last three years.

Fierce competition with developing countries, such as China and India, has also elevated the breakeven point. According to an oil company executive, the breakeven point, which was 40 dollars a barrel two years ago, has now increased to nearly 60 dollars a barrel. In some cases, it is 80 dollars. "In many cases, we just have to look on with folded arms," an oil industry source said discouragingly.

(7) Editorial: We oppose both government and DPJ plans on gasoline tax rate

ASAHI (Page 3) (Full)
January 23, 2008

Will the current temporary high gasoline tax rate have to be extended or not? Debate on this issue is heating up in the current ordinary Diet session. This question is tantamount, so to speak, to whether the gasoline tax should be reduced or not.

The price of regular gasoline has risen to 154 yen per liter due to oil price hikes. If the temporary tax rate expires at the end of March, the price of gas at the pump will drop by about 25 yen, making consumers happy.

Even so, we need to think of this issue more deeply. The government and the ruling camp have come up with a plan for extending the current rate, but the Democratic Party of Japan (DPJ) has called for scrapping the rate. In view of the nation's finances and the global environment, however, we find both sides' proposals unacceptable.

Among major industrialized countries, Japan is in the most serious fiscal predicament. Under its austere fiscal situation, the government has to squeeze out money to finance social security outlays, which have been swelling as the nation ages rapidly. Japan must first reorder priorities and allocate government funds based on this new scheme. To that end, tax revenues for road construction should be allocated for general expenditures to enable the revenues to be used for medical and educational purposes.

Since tax revenues for road projects automatically are collected, the government has allocated the money to road projects without closely checking whether the planned roads are actually necessary. As a result, various parties concerned began to hunt for road tax revenues. Now, it might be a good chance to destroy this traditional collusive structure.

TOKYO 00000189 011 OF 013

Gasoline prices in Japan are higher than in the United States, which is called "a society that gobbles up oil," but they are still at a low level, compared to other major industrialized countries. At a time when the nation is stepping up efforts to constrain gasoline consumption, as part of efforts to fight global warming, a cut in the gasoline tax is a measure that undermines efforts to end global warming.

When considering such circumstances, it might be necessary to keep the current high gasoline tax rate.

The government plan, however, proposes maintaining the current tax rate for 10 years from fiscal 2008 while limiting the use of gasoline tax revenues only for road-related projects. The plan says that since roads are still necessary in local areas, and also in order to rectify disparities among regions, the government will implement road-construction projects worth 59 trillion yen with road tax revenues over the next 10 years. This argument is tantamount to a call for road construction in order to prevent such revenues from being allocated for general expenditures, so it is totally unacceptable.

Meanwhile, the DPJ plan calls for allocating the road-related tax revenues for general expenditures and for completely abolishing the provisional tax rates. If the current high rates are scrapped, the central and local governments will lose a total of 2.6 trillion yen in tax revenues, almost half of their total tax revenues. Despite this estimate, the main opposition says that road-construction projects will not be reduced in local areas. In such a case, financial sources will naturally fall short.

Even money set aside for welfare purpose may be used to finance road maintenance or construction projects. There is the possibility that people may have to pay the price for an abolishment of the high tax rates in the form of downgraded welfare services and an increased financial burden.

Some opposition members insist that an environment tax should be introduced in exchange for abolishing the temporary tax rates. This point of view is important. It might be necessary to consider setting up environment taxation on wide-ranging energy and rearrange gasoline taxation to include some of it in the environment tax.

The tug-of-war between the ruling and opposition parties may make it impossible to reach a conclusion by the end of March, and gasoline prices could go up and down. Such a situation must be avoided without fail. Both camps must sit at the table for negotiations on changes in their bills, also keeping environment legislation in mind.

(8) Editorial: Is wasting public funds the DPJ's plan?

MAINICHI (Page 5) (Full)
January 22, 2008

How will the opposition parties tide over the Prime Minister Yasuo Fukuda's policy speech, in which he said that he would carry out a policy of "placing the public at the political center" and shifting to a "low-carbon-producing society." Interpellations by representatives from each political party, the first battle field for Diet debate, have begun.

TOKYO 00000189 012 OF 013

Yukio Hatoyama, secretary general of the largest opposition

Democratic Party of Japan (DPJ or Minshuto) stressed the expansion of the growing economic gaps in society and the decline in Japan's national strength as key issues.

Hatoyama gave a warning that as a result of former Prime Minister Junichiro Koizumi's "false reform in which the strong prey on the weak," rural areas have lost their vitality and the daily lives of people have grown worse. He added that at the same time, a fall in Japan's economic standing and children's academic performance decline have become serious problems.

Hatoyama strongly criticized the Fukuda cabinet's policy vacuum, noting: "The cabinet, neglecting the people's lives and economic management, has only been intent on providing oil without charge to U.S. warships in the Indian Ocean."

The DPJ secretary general argued that the Fukuda government has just been standing idly by instead of tackling such issues as the social divide, falling stock prices and Defense Ministry scandals.

Some points Hatoyama mentioned are true. Economic and Fiscal Policy Minister Hiroko Ota even said: "the Japanese economy can no longer be called first-rate." However, we did not detect a sense of crisis in the prime minister's policy speech. Our strong impression was only that the price of crude oil was hovering at a high level at the same time that stock prices were plummeting.

Hatoyama spent a lot of time explaining what the DPJ would do if it assumed the reins of government. Under a DPJ-led government, he said that: all the consumption tax money would be used for the basic pension program; a system of providing the child allowance of 26,000 yen would be created; high school education would be free; a compensation system for family farms would be created to directly support them; and, excluding some urban areas, expressway tolls would be scrapped. In response to calls from the public who are suffering from high oil prices, the DPJ considers the current Diet regular session as a session to reduce gasoline prices, placing top priority on the daily lives of the people.

Most of the DPJ's assertions were included in its campaign pledges for last summer's House of Councillors election. Looking at the items, what stands out is the DPJ's willingness to lavishly spend public funds. The public would have been pleased if they were realized, but where will the money come to pay for the programs? Didn't we learn the significance of fiscal discipline when the government coped with huge issuances of government deficit bonds, issued under the guise of being economic stimulus packages?

Hatoyama asserted that it would be possible to secure fiscal resources by avoiding wasteful spending, citing such measures as eradication of bid-rigging practices and the practice of amakudari or placing retired senior bureaucrats into high-paying posts at government-affiliated organizations, as well as a reduction in labor costs for national public servants. However, the DPJ's ideas are too abstract and optimistic. As long as the DPJ publicizes its campaign pledges for the next Lower House election without referring to the pain the public would have to pay, a government led by the DPJ will never come into being.

DPJ President Ichiro Ozawa, who left the Lower House plenary hall

TOKYO 00000189 013 OF 013

before the new antiterrorism bill was put to a vote, rejected any criticism against him, arguing, "I don't think the bill was important." It was as if to say that the role of the opposition camp is to engage in a power struggle, so he had no interest in that bill once he knew the result. We hope that the full-fledged Diet debate will not become such a power game.

SCHIEFFER